



0000058164

NEW APPLICATION

ORIGINAL



TELECOM CERTIFICATION & FILING, INC.

485 MADISON AVENUE

NEW YORK, NEW YORK 10022-5803

TEL (212) 546-9090

FAX (212) 753-8101

e-mail: dklein@telfile.com

RECEIVED

2003 MAY 21 P 4:46

AZ CORP COMMISSION
DOCUMENT CONTROL

May 20, 2003

Arizona Corporation Commission
DOCKETED

MAY 21 2003

VIA FEDERAL EXPRESS

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

T-04182A-03-0325

DOCKETED BY	
-------------	--

Re: Mercury Long Distance, Inc.

Dear Sir or Madam:

Enclosed for filing, please find one original and ten (10) copies of Mercury Long Distance, Inc.'s Application and Petition for a Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services as an Interexchange Reseller in the State of Arizona.

At your earliest convenience, please date stamp and return the copy of this letter to me in the postage prepaid self-addressed envelope.

Should you have any questions, or require additional information, please contact me at your convenience.

Sincerely,

Wendy Bauza
Project Manager

Enc.

2112-06/45633

00045633;1

www.telfile.com

ARIZONA CORPORATION COMMISSION

**Application and Petition for Certificate of Convenience and Necessity to Provide
Intrastate Telecommunications Services**

Mail original plus 10 copies of completed application to:

For Docket Control Only:
(Please Stamp Here)

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Please indicate if you have current applications pending
in Arizona as an Interexchange reseller, AOS provider,
or as the provider of other telecommunication services.

Type of Service:

Docket No.:

Date:

Date Docketed:

Type of Service:

Docket No.:

Date:

Date Docketed:

A.COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- ☒ Resold Long Distance Telecommunications Services (Answer Sections A, B, C).
- ☐ Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- ☐ Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- ☐ Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, D, E)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

MERCURY LONG DISTANCE, INC.

2288 GUNBARREL ROAD, SUITE 111-269

CHATTANOOGA, TN 37421

Tel: (423) 280-1733

Fax: (423) 326-1797

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

N/A

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

MS. TARA HAYES, EVP-INDUSTRY RELATION & BILLING SERVICES

MERCURY LONG DISTANCE, INC.

2288 GUNBARREL ROAD, SUITE 111-269

CHATTANOOGA, TN 37421

Tel: (423) 280-1733

Fax: (423) 326-1797

E-MAIL: TARA.HAYES@I4MATIONMAIL.COM

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

DAVID O. KLEIN, COO

TELECOM CERTIFICATION & FILING, INC.

REPRESENTATIVE OF TDI COMMUNICATIONS, INC.

485 MADISON AVENUE, 15TH FLOOR

NEW YORK, NEW YORK 10022-5803

TEL: (212) 546-9090

FAX: (212) 753-8101

E-MAIL: DKLEIN@TELFILE.COM

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person:

MR. TARA HAYES, EVP-INDUSTRY RELATIONS & BILLING SERVICES

MERCURY LONG DISTANCE, INC.

2288 GUNBARREL ROAD, SUITE 111-269

CHATTANOOGA, TN 37421

Tel: (423) 280-1733

Fax: (423) 326-1797

E-MAIL: TARA.HAYES@I4MATIONMAIL.COM

(A-7) What type of legal entity is the Applicant?

- ☐ Sole proprietorship
- ☐ Partnership: _____ Limited, _____ General, _____ Arizona, _____ Foreign
- ☐ Limited Liability Company: _____ Arizona, _____ Foreign
- ☒ Corporation: _____ "S", _____ "C", _____ Non-profit, _____ Arizona, ☒ Foreign
- ☐ Other, specify: _____

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be Charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

(A-10) Indicate the geographic market to be served:

- ☒ Statewide. (Applicant adopts statewide map of Arizona provided with this application).
- ☐ Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant has been or if the Applicant is currently involved in any formal or informal complaint proceedings pending before any State or federal Regulatory Commission:

- ☐ Yes ☒ No

If "Yes", please provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

(A-12) Indicate if the Applicant has been or is currently involved in any civil or criminal investigations AND/OR had judgment entered against it in any civil matter or been convicted of any criminal acts related to the delivery of telecommunications services within the last five (5) years:

☐ Yes

☒ No

If "Yes", please provide the following information.

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

☒ Yes

☐ No

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

☐ For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

☐ Yes

☒ No

If "No", continue to question (A-15).

☐ For Local Exchange Resellers, a \$25,000 bond will be recommended.

☐ Yes

☐ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

☐ Yes

☐ No

If "No", continue to question (A-15).

☐ For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

☐ Yes

☐ No

If "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior financial position limits any risk to Arizona consumers.

Mercury Long Distance, Inc. does not require a deposit from the customer.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the services will be provided.

Prior to issuance of the CC&N, the Applicant must complete and submit an Affidavit of Publication Form. Refer to Attachment C - Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication).

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

☒ Yes

☐ No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

Global Crossing Telecommunications, Inc.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

Mercury Long Distance, Inc. has authority to provide resold interexchange telecommunications services in the States of Arkansas, California, Colorado, Florida, Idaho, Kentucky, Michigan, New Jersey, Nevada North Dakota, Ohio, Oregon, Pennsylvania, Texas, Washington and Wyoming. Mercury currently has authority to provide resold telecommunications services in the states of New York, Florida and Pennsylvania.

Mercury is also in the process of petitioning several of the remaining states of the Union for resold interexchange authority. In no instance has an application been denied or rejected.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

Mercury Long Distance, Inc. is currently not providing telecommunications services at this time.

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

☐ Yes

☒ No

If "No," explain why and give the date on which the Applicant began operations.

Mercury Long Distance, Inc. has not begun operations yet.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

N/A

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.
2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.
3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.
4. If the projected value of all assets is zero, please specifically state this in your response.
5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

See attachment E

C. RESOLD LONG DISTANCE AND/OR LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation

☐ Yes

☐ No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

☐ Yes

☒ No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

Mercury Long Distance, Inc. does not intend to provide facilities-based long distance or local exchange telecommunications services in the State of Arizona.

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- ☐ Decision # 64178 Resold Long Distance
- ☐ Decision # 64178 Resold LEC
- ☐ Decision # 64178 Facilities Based Long Distance
- ☐ Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59241:

☐ Yes ☐ No

N/A

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

☐ Yes ☐ No

N/A

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

☐ Yes ☐ No

N/A

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

Tara Hayes

5/15, 2003

Tara Hayes

EVP-Industry Relations & Billing Services

SUBSCRIBED AND SWORN to before me this 15th day of May, 2003

NOTARY PUBLIC

Tanya R. DeRose

My Commission Expires

TANYA R. DeROSE
Notary Public, State of New York
No. 03-4973858
Qualified in New York County
Commission Expires Nov. 19, 2006

ATTACHMENT A

DO NOT PUBLISH
THIS SECTION

1. The corporate name must contain a corporate ending which may be "corporation," "association," "company," "limited," "incorporated" or an abbreviation of any of these words. If you are the holder or assignee of a tradename or trademark, attach Declaration of Tradename Holder form. If your name is not available for use in Arizona, you must adopt a fictitious name and provide a resolution adopting the name, which must be executed by the corporation Secretary.

3. You must provide the total duration in years for which your corporation was formed to endure. If perpetual succession, so indicate in this section. Do not leave blank, or state not applicable.

5. The statutory agent must provide both a physical and mailing address. If statutory agent has a P.O. Box, then they must also provide a physical description of their street address/location.

AZ. CORP. COMMISSION
DELIVERED

MAR 08 2002

FILED BY
TERM
DATE

Paula Lumsby
5-1-02

F-10217235

APPLICATION FOR AUTHORITY
TO TRANSACT BUSINESS
IN ARIZONA

The name of the corporation is: MERCURY LONG DISTANCE, INC.
A(n) DELAWARE Corporation
(State, Province or Country)

- ✓ We are a foreign corporation applying for authority to transact business in the state of Arizona.
- We are a foreign corporation currently authorized to transact business in Arizona and must now file this Application for New Authority pursuant to A.R.S. § 10-1504 because we have changed the following in our domicile jurisdiction:
- | Our actual corporate name (or the name under which we originally obtained authority in Arizona).
 - | The period of our duration.
 - | The state, province or country of our incorporation.

1. The exact name of the foreign corporation is:
MERCURY LONG DISTANCE, INC.

If the exact name of the foreign corporation is not available for use in this state, then the fictitious name adopted for use by the corporation in Arizona is:

_____(FN).

2. The name of the state, province or country in which the foreign corporation is incorporated is:
DELAWARE

3. The foreign corporation was incorporated on the 20 day of JULY,
2000 and the period of its duration is: PERPETUAL

4. The street address of the principal office of the foreign corporation in the state, province or country of its incorporation is:

9 EAST LOOCKERMAN STREET

DOVER, DE 19901

5. The name and street address of the statutory agent for the foreign corporation in Arizona is:

National Registered Agents, Inc.

302 North First Avenue, Suite 440

Phoenix, AZ 85003

DO NOT PUBLISH
THIS SECTION

5.b. Indicate to which address the Annual Report should be mailed.

6. If the purpose of your corporation has any limitations with regard to this section, so indicate. If not, state no limitations or leave blank.

Name:

Address:

City, State, Zip:

Name:

Address:

City, State, Zip:

Name:

Address:

City, State, Zip:

8. The total number of authorized shares cannot be "zero" or "N/A". Include authorized, not issued shares in this section.

- 5.a. The street address of the known place of business of the foreign corporation in Arizona IF DIFFERENT from the street address of the statutory agent is:

- 5.b. The Annual Report and general correspondence should be mailed to the address specified above in section 4 ☒ or 5a _____.

6. The purpose of the corporation is to engage in any and all lawful business in which corporations may engage in the state, province or country under whose law the foreign corporation is incorporated, with the following limitations if any:

NO LIMITATIONS

7. The names and usual business addresses of the current directors and officers of the foreign corporation are: (Attach additional sheets if necessary.)

SEE ATTACHED _____ [title]

_____ [title]

_____ [title]

8. The foreign corporation is authorized to issue 1000 shares, itemized as follows: (Attach additional sheets if necessary.)

1000 shares of Common [class or series] stock at
_____ no par value or par value of \$ \$0.01 per share.

_____ shares of _____ [class or series] stock at
_____ no par value or par value of \$ _____ per share.

_____ shares of _____ [class or series] stock at
_____ no par value or par value of \$ _____ per share.

**DO NOT PUBLISH
THIS SECTION**

9. The total number of issued shares cannot be "N/A".

The Application must be accompanied by the following: A Certificate of Disclosure, executed within 30 days of delivery to the Commission, by a duly authorized officer

Attach a certified copy of your articles of incorporation, all amendments and mergers (AZ Const. Art. XIV, §8) and a certificate of existence or document of similar import duly authenticated (within 60 days) by the official having custody of corporate records in the state, province or country under whose laws the corporation is incorporated.

The agent must consent to the appointment by executing the consent.

9. The foreign corporation has issued 1000 shares, itemized as follows:

1000 shares of Common [class or series] stock at
no par value or par value of \$ 0.01 per share.

_____ shares of _____ [class or series] stock at
no par value or par value of \$ _____ per share.

_____ shares of _____ [class or series] stock at
no par value or par value of \$ _____ per share.

10. The character of business the foreign corporation initially intends to conduct in Arizona is:

Long Distance Carrier

DATED this 24 day of JANUARY, 2002.

MERCURY LONG DISTANCE, INC.

[Name of Corporation]

Executed by _____

Duly Authorized Officer or Director

NEAL D. SAFERSTEIN, PRESIDENT/CEO

[print name]

[title]

PHONE 215-629-0928

FAX 215-413-7710

[optional]

[optional]

ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT

The undersigned hereby acknowledges and accepts the appointment as statutory agent of this corporation effective this 4th day of JANUARY March, 2002.

National Registered Agents, Inc.

BY Teresa Mayor

Signature

Teresa Mayor, Secretary

[Print Name]

For Registered Agents, INC.

(A-8) List of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicates percentage of ownership.

Name: Neal D. Saferstein
Title: President
Percentage of Ownership: 90%

Name: Tara Hayes
Title: Vice President of Industry Relations & Billing Services
Percentage of Ownership: 0%

Name: William Levy
Title: Secretary
Percentage of Ownership: 0%

Name: Joseph Rocha
Title: Treasurer
Percentage of Ownership: 0%

Name: Ronald Stern
Title: Director
Percentage of Ownership: 5%

Name: Arthur Cohen
Title: Director
Percentage of Ownership: 5%

ATTACHMENT B

TITLE SHEET

ARIZONA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations and rates applicable to the furnishing of interexchange telecommunications services provided by Mercury Long Distance, Inc. with principal office at 2288 Gunbarrel Road, Suite 111-269, Chattanooga, TN 37421. This tariff applies to services furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: May 22, 2003
Issued By:

Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

CHECK SHEET

Sheet 1 through 23 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>SHEET</u>	<u>REVISION</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original

Issued: May 22, 2003
Issued By:

Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

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Issued: May 22, 2003
Issued By:

Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

SYMBOLS

The following are the only symbols used for the purposes indicated below:

- D - Delete or Discontinue
- I - Change Resulting in an Increase to a Customer's Bill
- M - Moved From Another Tariff Location
- N - New
- R - Change Resulting in a Reduction to a Customer's Bill
- T - Change in Text or Regulation but no Change in Rate or Charge

Issued: May 22, 2003
Issued By:

Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

TARIFF FORMAT

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the A.C.C. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the A.C.C. follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Number Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a)
 - 2.1.1.A.1.(a).1.
 - 2.1.1.A.1.(a).1.(i).
 - 2.1.1.A.1.(a).1.(i).(1).
- D. Check Sheets - When a tariff filing is made with the A.C.C., an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revisions levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the A.C.C.

Issued: May 22, 2003
Issued By:

Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

PRELIMINARY STATEMENT

Applicability

Applicable to business and residential, individual and party line, flat rate exchange service.

Territory

Within the base rate areas of all exchanges serviced between and within all latas located in the State of Arizona.

Issued: May 22, 2003
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Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

A.C.C. - Arizona Corporation Commission.

Access Line - An arrangement which connects the Customer's location to the Company's Underlying Carrier(s) network switching center.

Authorization Code - A numerical code, one or more of which are available to a customer to enable him/her to access the carrier, and which are used by the carrier both to prevent unauthorized access to its facilities and to identify the customer for billing purposes.

Card Number - A multi-digit identifying number which may be printed on each Prepaid Calling Card, which may also be referred to in this tariff as a PIN.

Company or Carrier - Mercury Long Distance, Inc.

Customer - The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day - From 8:00 a.m. up to, but not including, 5:00 p.m. local time Sunday through Friday.

Evening - From 5:00 p.m. up to, but not including, 11:00 p.m. local time Sunday through Friday.

Holidays - The Company's recognized holidays are New York's Day, Martin Luther King, Jr. Day, Chief Executive Officers' Day, Veterans' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Thanksgiving Day and Christmas Day.

Night/Weekend - From 11:00 p.m. up to, but not including, 8:00 a.m. Sunday through Friday, and 8:00 a.m. Saturday up to, but not including 5:00 p.m. Sunday.

Issued: May 22, 2003
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Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

SECTION 2 - RULES AND REGULATIONS

2.1 Contact Information

2.1.1. Customer complaints, bill inquiry, new service or disconnect requests:

Mr. Tyrone Barr
Mercury Long Distance, Inc.
240 Arch Street, Suite 2000
Philadelphia, PA 19106
Toll Free No. 1 (888) 948-1930

2.1.2. Commission contact - tariff information:

Ms. Tara Hayes
Mercury Long Distance, Inc.
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421
Telephone No. 1 (423) 280-1733

2.1.3. Commission Contact Complaints:

Ms. Tara Hayes
Mercury Long Distance, Inc.
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421
Telephone No. 1 (423) 280-1733

2.1.4. Arizona Agent:

Capitol Corporate Services, Inc.
815 N. 1st Avenue, Suite 4
Phoenix, AZ 85003

Issued: May 22, 2003
Issued By:

Effective: June 23, 2003

Ms. Tara Hayes
Vice President of Industry Relations and Billing Services
2288 Gunbarrel Road, Suite 111-269
Chattanooga, TN 37421

SECTION 2 - RULES AND REGULATIONS (Cont'd)2.2 Undertaking of the Company

The Company's Underlying Carrier(s) facilities are furnished for long distance communications services originating at specified points within the State of Arizona under terms of this tariff.

The Company operates, and maintains the communication services provided hereunder in accordance with the terms and conditions set forth under this tariff. It may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to the Company's Underlying Carrier(s) network. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services are provided on a monthly basis (30 days) unless ordered on a longer time basis, and are available twenty-four (24) hours per day, seven (7) days per week.

2.3 Limitations

2.3.1 Service is offered subject to the availability of facilities and the provisions of this tariff.

2.3.2 The Company reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control; or when the Customer is using service in violation of the law or the provisions of this tariff.

2.3.3 All services provided under this tariff are directly controlled by the Company and the Customer may not transfer or assign the use of service, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

2.3.4 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Liabilities of the Company

- 2.4.1 The Company's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring in the course by the negligence of its employees or its agents, in no event shall exceed an amount equivalent to the proportionate charge to the Customer for the period during which the aforementioned faults in transmission occur.
- 2.4.2 The Company shall be indemnified and held harmless by the Customer against:
- 2.4.2.A Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content transmitted over the Company's facilities.
 - 2.4.2.B All other claims arising out of any act or omission of the Customer in connection with any service or facility provided by the Company's Underlying Carrier.
- 2.4.3 The included tariff language does not constitute a determination by the A.C.C. that a limitation of liability imposed by the Company should be upheld in a court of law. Acceptance for filing by the A.C.C. recognizes that it is a court's responsibility to adjudicate negligence and consequential damage claims. It is also the court's responsibility to determine the validity of the exculpatory clause.
- 2.4.4 The Company will give at least ten (10) days notice to Customers and the A.C.C. before increasing rates or other changes. The notice to Customers will be either individual notice or a public notice in the newspapers in Company Arizona service areas.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Interruption of Service

- 2.5.1 Credit allowances for the interruption of service, which is not due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3.1 herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired.

Before giving such notice, the Customer shall ascertain that the trouble is not being caused by an action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.

- 2.5.2 For the purposes of credit computation, every month shall be considered to have 720 hours.
- 2.5.3 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Interruption of Service (Cont'd)

2.5.4 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the fixed monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" -- outage times in hours

"B" -- total fixed monthly charge for affected facility

2.6 Suspension-of-Service Guidelines

The Company will provide written notice at least seven days in advance of suspending a Customer's service for non-payment of charges. In cases of bona fide emergencies, we try to avoid suspension of service for non-payment. Service will be suspended without notice in the following situations:

- 1) The Customer obtained service fraudulently;
- 2) Risk of non-payment is evident; or
- 3) A safety hazard is found on the Customer's premises.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in Part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Billing Periods

If the Customer is being billed for service to the home or office, the Customer will receive an itemized statement of account after the 30-day cycle.

2.9 Understanding your Bill

Your statement will outline specific charges or adjustments for Mercury Long Distance, Inc.'s services.

2.10 Questions About A Customer's Bill

If the Customer has questions about the Company's charges that may appear on its bill, the Customer should call the Company's service representative or the Company's designated billing agent.

2.11 Pay By Mail

A return envelope is included with each Customer's bill. If the return envelope is unavailable, Customers should contact the Customer service telephone number indicated on the bill for the appropriate address.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.12 Lost Bills

If a bill is lost, the Customer should call the Company's service representative or the Company's designated billing agent for the amount due. Customer should be sure to include their account number, name, address and telephone number with payment.

2.13 Forms of Payment

For the protection of the Customer, Customers should send checks or money orders payable in United States dollars with their account number, area code, and telephone number included. Cash should not be sent. Unless otherwise required by law, tariff or commission order, partial payments received without customer direction will be prorated by the Company.

Alternate forms of payment include traveler's checks and bank drafts.

2.14 Returned Check Charge

If a Customer's check is returned by the bank, a charge will be added to the Customer's next monthly telephone bill. A fee of \$25.00, or five percent of the amount of the check, whichever is greater, will be charged for each check returned for insufficient funds.

2.15 Late Charge

The Company's service representative or the Company's designated billing agent should be contacted if a bill cannot be paid on time; special payment arrangements may be possible in case of illness or other circumstances beyond one's control. Late Payments may be subject to a late charge and/or may result in telephone service being suspended. A late fee of 1.5% monthly will be charged on any past due balances.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.16 Requirements for Service Restoral After Suspension for Non-Payment

In most cases, all charges billed for service must be paid before service will be restored. This would include any amount which may have received on a new bill. There is also a charge to restore service, which will be billed on the Customer's account.

2.17 Responsibility of the Company

The Company endeavors to provide the best long distance service possible at a fair and competitive price. In turn, the Customer is responsible for paying their bills on time and must report any problems in a timely manner so that they can be corrected.

2.18 Frequency Restrictions

There are no frequency restrictions.

2.19 Cancellations

Customers may cancel their service at any time through written instruction.

2.20 Nonpayment

The Company's or the Company's designated billing agent will contact a Customer when their payment is late. At the point where payment exceeds 60 days late, the Customer may be turned over to a collection agency and the Customer's service may be terminated. Suspension or termination of service shall not be made without five (5) working days' written notice to the Customer, except in extreme cases. The written notice shall be separate and apart from the regular monthly bill for service.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.21 Credit for Incomplete Calls

There will be no charge assessed to the customer for incomplete calls.

2.22 Deposit

The Company does not require a deposit from the Customer.

2.23 Advance Payments

The Company does not require an advance payment from the Customer.

2.24 Gross Revenue Surcharge

The applicable Gross Revenue Surcharge rates will be filed on 15 days' notice to the A.C.C., and as directed by the A.C.C. Customers will be notified of such changes on the first bill following the rate change. Whenever the State levels a new tax on the Company's gross revenue, repeals such tax, or changes the rate of such tax, the A.C.C. may approve new surcharge factors, and the Company will file revised surcharges as directed by the A.C.C.

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SECTION 3 - DESCRIPTION OF SERVICES

3.1 Usage Based Services

The Company's charges are based on the actual usage of Company's services, plus any special features and/or service options, if any. Charges begin when the Company's answer supervision determines that the other party has picked up. Charges cease when the termination(s) is/are disconnected.

3.2 Long Distance Telecommunications Network Service

The Company's Long Distance Network Service provides for the non-facilities based, switchless resale of the tariffed Software Defined Network (SDN) Service offered by various Underlying Carriers. This service is a custom designed private telecommunication network that combines the efficiencies and benefits of both switched and private line service to meet the specific requirements of customers needing to communicate between geographic locations within the State. The method of mileage calculation utilized by the Company mirrors that of Bell Communications Research and NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

Each service customer is charged individually for each call on a conversation minute basis. Each call is measured and charged at the applicable rate for the initial sixty (60) second period or fraction thereof, and then at the applicable rate for each additional sixty (60) second period or fraction thereof. The minimum length of a call is sixty (60) seconds. See Section 4, Rates, for the applicable rate schedule.

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SECTION 3 - DESCRIPTION OF SERVICES (Cont'd)

3.2 Long Distance Telecommunications Network Service (Cont'd)

Dedicated access circuits may be provided and billed by the local exchange company (LEC). Dedicated access channels may be purchased from carriers other than the LEC only in accordance with A.C.C. rules or if the special access channel is jurisdictionally interstate. Charges for the dedicated access channel are determined by the access provider.

3.3 Group Billing Service

Group Billing Service allows the Customer with more than one location to consolidate billing. Group Billing provides enhanced Customer bills with call summaries by NPA, time period and location.

3.4 Directory Assistance Service

Directory Assistance Service is provided by the Underlying Carrier(s) to assist subscribers in obtaining telephone numbers. Residential Customers are entitled to six (6) free directory assistance calls per monthly billing cycle.

3.5 Accessing Service

The service provided by the Company, through its Underlying Carrier(s), is one way dial in - dial out, multi-point telecommunications services, allowing the Customer to originate calls through the network facilities of the Company and its Underlying Carrier(s).

3.6 Availability of Service

The services provided through the Company, are available where equal access and the Billing Systems of its Underlying Carriers are provided.

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SECTION 3 - DESCRIPTION OF SERVICES (Cont'd)

3.7 Locations of Service

The services offered by the Company are to be available statewide, where Underlying Carriers long distance service or billing arrangements are available. The services offered by the Company are not intended to be limited geographically.

3.8 Timing of Calls

3.8.1 Long distance usage charges are based on usage of the Company's service. Chargeable time begins when a connection is established between the calling station and the called station. Chargeable time ends when either party "hangs up" thereby releasing the network connections.

3.8.2 Minimum call duration and usage measurement and rounding for billing purposes is specified on per-product basis in the rate section of this tariff.

3.8.3 There is no billing applied for incomplete calls.

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SECTION 3 - DESCRIPTION OF SERVICES (Cont'd)

3.9 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

240 Arch Street, Suite 2000
Philadelphia, PA 19106
(888) 948-1930

Any objection to billed charges should be reported promptly to the Company. Adjustments to Customers' accounts shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

If Customer complaints cannot be resolved by the Company, the Customer may contact the Arizona Corporation Commission at the following address:

1200 West Washington Street
Phoenix, Arizona 85007-2927

3.10 Level of Service

A Customer can expect end to end network availability of not less than 90% at all times for all services.

3.11 Billing Entity Conditions

When billing functions on behalf of the Company or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply.

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SECTION 4 - RATES

4.1 Long Distance Telecommunications Network Usage Rates

- 4.1.1 The calls placed through the Company are rated using one of the following schedules.
- 4.1.2 Day, Evening and Night rate periods apply to Long Distance Network usage. The rates apply for all days of the week including holidays. The Day rate period is 8:00 AM to, but not including, 5:00 PM, Monday through Friday and 5:00 PM to, but not including 11:00 PM Sunday. The Night/Weekend Rate period is 11:00 PM to, but not including, 8:00 AM Monday through Sunday, all day Saturday, and from 8:00 AM to, but not including, 5:00 PM Sunday. For New Year's Day (January 1), Independence Day (July 4), Labor Day, Thanksgiving Day and Christmas Day (December 25), the Evening Rate applies.

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SECTION 4 - RATES (Cont'd)

4.2 Long Distance Network Usage Rates

4.2.1 Arizona Intrastate Interlata Rates

Flat Rate: \$0.10/minute

4.2.2 Arizona Intrastate Intralata Rates

Flat Rate: \$0.10/minute

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SECTION 4 - RATES (Cont'd)

4.3 Exemptions and Special Rates

4.3.1 Discount for Hearing Impaired Customers:

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and the night/weekend rate during the evening rate period. Discounts do not apply to surcharges or per call add on charges for operator service when the call is placed by a method that would normally incur the surcharge.

4.3.2 Operator Assistance for Handicapped Persons:

Operator station surcharges will be waived for operator assistance provided to a caller who identified him or herself as being handicapped and unable to dial the call because of a handicap.

4.3.3 Directory Assistance for Handicapped Persons:

There is no charge for Directory Assistance for calls from handicapped persons. Such persons must contact the Company for credit on their directory assistance calls.

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ATTACHMENT D

MERCURY LONG DISTANCE SERVICES, INC.
FORCASTED STATEMENT OF INCOME
FOR 3 YEARS

IN THOUSANDS
000'S OMITTED

	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003	Total 2003
SALES FORCE	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,400
Telecom Services Revenue	\$ 1,560	\$ 1,680	\$ 1,800	\$ 1,920	\$ 2,040	\$ 2,160	\$ 2,280	\$ 2,400	\$ 2,520	\$ 2,640	\$ 2,760	\$ 2,880	\$ 26,640
Direct Costs:													
Cost of Sales	780	840	900	960	1,020	1,080	1,140	1,200	1,260	1,320	1,380	1,440	13,320
Billing and Collection Fees	281	302	324	346	367	389	410	432	454	475	497	518	4,795
Commissions	156	168	180	192	204	216	228	240	252	264	276	288	2,664
Total Direct Costs	1,217	1,310	1,404	1,498	1,591	1,685	1,778	1,872	1,966	2,059	2,153	2,246	20,779
Gross Profit	343	370	396	422	449	475	502	528	554	581	607	634	5,861
Gross Profit Percentage	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Marketing & Advertising	16	17	18	19	20	22	23	24	25	26	28	29	266
General Administrative Expense	78	84	90	96	102	108	114	120	126	132	138	144	1,332
EBITDA	265	286	306	326	347	367	388	408	428	449	469	490	4,529
Interest	16	17	18	19	20	22	23	24	25	26	28	29	266
Depreciation & Amortization	3	3	3	3	3	3	3	3	3	3	3	3	36
Total Other Expenses	19	20	21	22	23	25	26	27	28	29	31	32	302
Pretax Operation Income	247	266	285	304	323	343	362	381	400	419	439	458	4,226
Provision for Taxes	99	106	114	122	129	137	145	152	160	168	175	183	1,691
Net Income	\$ 148	\$ 159	\$ 171	\$ 183	\$ 194	\$ 206	\$ 217	\$ 229	\$ 240	\$ 252	\$ 263	\$ 275	\$ 2,536

MERCURY LONG DISTANCE SERVICES, INC.
FORCASTED STATEMENT OF INCOME
FOR 3 YEARS

IN THOUSANDS
000'S OMITTED

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	Total 2004
SALES FORCE	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,600
Telecom Services Revenue	\$ 3,000	\$ 3,120	\$ 3,240	\$ 3,360	\$ 3,480	\$ 3,600	\$ 3,720	\$ 3,840	\$ 3,960	\$ 4,080	\$ 4,200	\$ 4,320	\$ 43,920
Direct Costs:													
Cost of Sales	1,500	1,560	1,620	1,680	1,740	1,800	1,860	1,920	1,980	2,040	2,100	2,160	21,960
Billing and Collection Fees	540	562	583	605	626	648	670	691	713	734	756	778	7,906
Commissions	300	312	324	336	348	360	372	384	396	408	420	432	4,392
Total Direct Costs	2,340	2,434	2,527	2,621	2,714	2,808	2,902	2,995	3,089	3,182	3,276	3,370	34,258
Gross Profit	660	686	713	739	766	792	818	845	871	898	924	950	9,662
Gross Profit Percentage	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Marketing & Advertising	30	31	32	34	35	36	37	38	40	41	42	43	439
General Administrative Expense	150	156	162	168	174	180	186	192	198	204	210	216	2,196
EBITDA	510	530	551	571	592	612	632	653	673	694	714	734	7,466
Interest	30	31	32	34	35	36	37	38	40	41	42	43	439
Depreciation & Amortization	4	4	4	4	4	4	4	4	4	4	4	4	48
Total Other Expenses	34	35	36	38	39	40	41	42	44	45	46	47	487
Pretax Operation Income	476	495	514	534	553	572	591	610	630	649	668	687	6,979
Provision for Taxes	190	198	206	213	221	229	236	244	252	260	267	275	2,792
Net Income	\$ 286	\$ 297	\$ 309	\$ 320	\$ 332	\$ 343	\$ 355	\$ 366	\$ 378	\$ 389	\$ 401	\$ 412	\$ 4,188

MERCURY LONG DISTANCE SERVICES, INC.
FORCASTED STATEMENT OF INCOME
FOR 3 YEARS

IN THOUSANDS
000'S OMMITTED

	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	Total 2005
SALES FORCE	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500	4,600	4,700	4,800	4,800
Telecom Services Revenue	\$ 4,440	\$ 4,560	\$ 4,680	\$ 4,800	\$ 4,920	\$ 5,040	\$ 5,160	\$ 5,280	\$ 5,400	\$ 5,520	\$ 5,640	\$ 5,760	\$ 61,200
Direct Costs:													
Cost of Sales	2,220	2,280	2,340	2,400	2,460	2,520	2,580	2,640	2,700	2,760	2,820	2,880	30,600
Billing and Collection Fees	799	821	842	864	886	907	929	950	972	994	1,015	1,037	11,016
Commissions	444	456	468	480	492	504	516	528	540	552	564	576	6,120
Total Direct Costs	3,463	3,557	3,650	3,744	3,838	3,931	4,025	4,118	4,212	4,306	4,399	4,493	47,736
Gross Profit	977	1,003	1,030	1,056	1,082	1,109	1,135	1,162	1,188	1,214	1,241	1,267	13,464
Gross Profit Percentage	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Marketing & Advertising	44	46	47	48	49	50	52	53	54	55	56	58	612
General Administrative Expense	222	228	234	240	246	252	258	264	270	276	282	288	3,060
EBITDA	755	775	796	816	836	857	877	898	918	938	959	979	10,404
Interest	44	46	47	48	49	50	52	53	54	55	56	58	612
Depreciation & Amortization	5	5	5	5	5	5	5	5	5	5	5	5	60
Total Other Expenses	49	51	52	53	54	55	57	58	59	60	61	63	672
Pretax Operation Income	705	725	744	763	782	801	821	840	859	878	897	917	9,732
Provision for Taxes	282	290	298	305	313	321	328	336	344	351	359	367	3,893
Net Income	\$ 423	\$ 435	\$ 446	\$ 458	\$ 469	\$ 481	\$ 492	\$ 504	\$ 515	\$ 527	\$ 538	\$ 550	\$ 5,839

GOINTERNET.NET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31,	2002	2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 136,312	\$ 384,469
Accounts receivable - pledged, net of allowance for doubtful accounts of \$2,460,901 in 2001	11,050,228	8,951,565
Prepaid expenses and other current assets	74,561	73,549
Total current assets	11,261,101	9,409,583
Property and Equipment - at cost, net	7,279,652	1,633,403
Licenses and Trademarks, net	303,242	81,174
Total Assets	\$18,843,995	\$11,124,160
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,380,214	\$ 1,927,395
Clearinghouse payable	2,762,557	2,190,696
Notes payable - financial institution	1,428,691	2,407,579
Clearinghouse overadvance loan - financial institution	3,484,904	5,690,518
Income taxes payable	345,386	60,000
Current maturities of notes payable	2,650,000	
Notes payable to shareholders	1,000,000	800,000
Total current liabilities	16,051,752	13,076,188
Notes payable - net of current maturities	1,200,000	
Total liabilities	17,251,752	13,076,188
Shareholders' Equity (Deficiency):		
Common stock - \$.0001 par value; authorized 40,000,000 shares, issued and outstanding 4,393,250 and 17,093,000 shares, respectively	440	1,710
Additional paid-in capital	1,082,772	881,502
Retained earnings (accumulated deficit)	509,031	(2,835,240)
Shareholders' equity (deficiency)	1,592,243	(1,952,028)
Total Liabilities and Shareholders' Equity (Deficiency)	\$18,843,995	\$11,124,160

See Notes to Consolidated Financial Statements

GOINTERNET.NET, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF OPERATIONS**

Year ended December 31,	2002	2001
Subscription revenue	\$51,488,950	\$29,079,939
Direct costs	32,048,920	18,809,214
Net revenue	19,440,030	10,270,725
General and administrative expenses	11,142,438	6,438,236
Income from operations	8,297,592	3,832,489
Interest expense, net of interest income	3,986,560	3,227,215
Depreciation and amortization	519,714	452,270
Loss on the disposal of assets	101,661	
Bad debt expense		2,460,901
Income (loss) before provision for taxes	3,689,657	(2,307,897)
Provision for state and local taxes	345,386	62,711
Net income (loss)	\$ 3,344,271	\$ (2,370,608)

See Notes to Consolidated Financial Statements

GOINTERNET.NET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Year ended December 31, 2002

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Shareholders' Equity
Balance at January 1, 2001	17,093,000	\$ 1,710	\$ 881,502	\$ (464,632)	\$ 418,580
Net loss				(2,370,608)	(2,370,608)
Balance at December 31, 2001	17,093,000	1,710	881,502	(2,835,240)	(1,952,028)
Issuance of common stock to directors	500,000	50	199,950		200,000
1 for 4 reverse stock split	(13,194,750)	(1,320)	1,320		
Net income				3,344,271	3,344,271
Balance at December 31, 2002	4,398,250	\$ 440	\$1,082,772	\$ 509,031	\$ 1,592,243

See Notes to Consolidated Financial Statements

GOINTERNET.NET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31,	2002	2001
Cash flows from operating activities:		
Net income (loss)	\$ 3,344,271	\$(2,370,608)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	519,714	452,270
Bad debt expense		2,460,901
Loss on disposal of assets	101,661	
Noncash compensatory charge on stock issued to directors	200,000	
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,098,663)	(7,233,751)
Increase in prepaid expenses	(1,012)	(38,500)
Increase in accounts payable and accrued expenses	2,452,819	775,581
Increase in clearinghouse payable	571,861	1,146,017
Increase in income taxes payable	285,386	30,000
Net cash provided by (used in) operating activities	5,376,037	(4,773,090)
Cash flows from investing activities:		
Purchases of property and equipment	(6,221,024)	(1,064,435)
Purchases of licenses and trademarks	(268,668)	(60,540)
Cash used in investing activities	(6,489,692)	(1,124,975)
Cash flows from financing activities:		
Repayments of notes payable, net of proceeds - financial institution	(978,888)	(26,476)
Advances from shareholders	200,000	450,000
Principal payments of capitalized lease obligations		(1,113)
(Repayments of) proceeds from clearinghouse overadvance loan - financial institution	(2,205,614)	5,690,518
Proceeds from mortgage notes payable	3,850,000	
Net cash provided by financing activities	865,498	6,112,929
Net increase (decrease) in cash and cash equivalents	(248,157)	214,864
Cash and cash equivalents at beginning of year	384,469	169,605
Cash at end of year	\$ 136,312	\$ 384,469
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 3,551,668	\$ 3,223,586
Taxes	\$ 60,000	\$ 31,628

See Notes to Consolidated Financial Statements